

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 942 – HB 944

March 27, 2013

SUMMARY OF ORIGINAL BILL: Requires the Tennessee Real Estate Commission (TREC) to have all applicants on or after the effective date of this act, and any current licensees that appear before TREC for an infraction, to submit and complete a legible set of fingerprints, on a form prescribed by TREC, to TREC or to the Tennessee Bureau of Investigation (TBI) for the purpose of obtaining a criminal background check from TBI and the Federal Bureau of Investigation (FBI). Any individual required to submit a fingerprint and subsequent background, who fails to do so, shall be refused issuance or renewal licensure. Authorizes TREC to enter into an agreement with the TBI to administer a criminal background check and authorizes TBI to collect the costs incurred to conduct the background check from each applicant.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$34,000/FY13-14/TBI
\$68,000/FY14-15 and Subsequent Years/TBI

Increase State Expenditures - \$1,000/FY13-14/Tennessee Real Estate Commission
\$34,000/FY13-14/TBI
\$68,000/FY14-15 and Subsequent Years/TBI

Other Fiscal Impact – The increase expenditures of \$1,000 to the Tennessee Real Estate Commission can be covered through current fee revenue. As of June 30, 2012, the Commission had a reserve balance of \$2,605,011.

SUMMARY OF AMENDMENT (005344): Removes requirement that current licensees, who have committed an infraction, submit a complete and legible set of fingerprints. Removes the requirement for the Commission to refuse renewal of current licensees who do not comply. Specifies that applicants for a time-share license are included in the requirement for new applicants to submit fingerprints. States that any former affiliate broker, who is obtaining a broker license, is not required to submit a complete and legible set of fingerprints.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Revenue - \$33,900/FY13-14/TBI

\$67,700/FY14-15 and Subsequent Years/TBI

Increase State Expenditures - \$1,000/FY13-14/Tennessee Real Estate Commission

\$33,900/FY13-14/TBI

\$67,700/FY14-15 and Subsequent Years/TBI

Other Fiscal Impact – The increase in expenditures of \$1,000 to the Tennessee Real Estate Commission can be covered through current fee revenue. As of June 30, 2012, the Commission had a reserve balance of \$2,605,011

Assumptions for the bill as amended:

- This bill has an effective date of January 1, 2014.
- According to TBI, each background check will cost \$42.
- Currently there are 22,986 active real estate agents licensed with TREC.
- In FY11-12, there were 1,613 real estate agent applicants. It is assumed that this number will remain constant and occur annually.
- The Department of Commerce could not provide the number of former affiliate brokers who will be seeking licensure as brokers. It is estimated that this provisions will not have a significant affect on the total number of applicants.
- Background checks, pursuant to this legislation, would be required of new applicants.
- There will be approximately 1,613 background checks conducted annually. The cost to conduct such background checks will total \$67,746 (1,613 x \$42).
- Since the effective date of the bill is January 1, 2014, the first year impact will be for one-half of the year resulting in increased expenditures in FY13-14 of \$33,873 (\$67,746 x 0.50). The increase in FY14-15 and subsequent years will be \$67,746.
- There will be a corresponding increase in revenue to TBI from applicants paying for the cost of the background check resulting in an increase in revenue of \$33,873 in FY13-14 and \$67,746 in FY14-15 and subsequent years.
- The Department of Commerce and Insurance can handle any necessary rulemaking during regularly-scheduled board meetings and within existing resources. The Department will incur a one-time increase in state expenditures of \$1,000 computer programming costs.
- Pursuant to Tenn. Code Ann. § 4-3-1011, all regulatory boards are required to be self-supporting over a two-year period. The Commission had closing balances of \$53,750 in FY10-11, \$178,396 in FY11-12, and a closing reserve balance of \$2,605,011 on June 30, 2012.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

/jdb